

Memorandum

To: All Fairs

Date: December 10, 2003
Ref: F 2003 - xx
Telephone: (916) 263-2955

From: Department of Food and Agriculture - Bruce Lim, Acting Director
Division of Fairs and Expositions
1010 Hurley Way, Suite 200
Sacramento, California 95825

Subject: **2003 STATEMENT OF OPERATIONS**

Enclosed is information and instructions to facilitate the completion of the 2003 Statement of Operations (STOP). For your convenience, we have enclosed a 3.5" floppy disk that contains STOP forms in Microsoft® Excel (2003 STOP.xls). To prevent errors on opening, please follow these steps:

- Save the file on your hard drive;
- Open the Excel program;
- Open the file through Excel.

If this program is incompatible with your computer configuration, please call Peggy Verissimo of my staff at (916) 263-2971, to request another format or paper copies of this information.

Salary Accounts

To assist in annual fair classification evaluations, it is now necessary to separate all salary accounts into "permanent" vs. "temporary." New accounts and schedules have been introduced this year to assist in collecting this data. The new schedules include Motorized Racing Labor Detail, Satellite Wagering Labor Detail, Permanent Positions on Payroll, and Temporary Positions on Payroll.

Reserve Accounts

Governmental Accounting Standards Board (GASB) Statement No. 34 requires all public agencies to segregate restricted versus unrestricted reserves as well as investment in capital assets when preparing financial reports. Page 1 of the STOP has been modified to break down beginning and ending resources into these three categories.

If a fair currently combines investment in capital assets with reserves available for operations, then a manual segregation of these two components will be necessary when completing page 1. In most cases, the reserves related to investments in capital assets (property, plant and

equipment) should equal the net book value (cost less accumulated depreciation less any related debt) of these assets.

If a fair utilizes a separate general ledger account (e.g., Investment in Capital Assets, account #26000) to segregate invested reserves from reserves available for operations, account #29100, then a manual segregation of the two components will not be necessary on Page 1.

In addition to the segregation of investment in capital assets, (GASB) 34 requires all public agencies to report any "restricted" reserves. These reserves may consist of funds held by the fair that are restricted for purposes such as the relocation of the fairgrounds. Please see the enclosed preparation guide for more details.

Depreciation of Fixed Assets

GASB 34 also requires all public agencies to report the value of their fixed assets in their annual financial reports using the full accrual basis of accounting. Under this method, expenditures for capital outlays are reported as assets and depreciation is reported as an expense over the estimated useful life of the asset. Beginning January 2004, all fairs will be required to begin depreciating their fixed assets. For guidance, please refer to the "Fixed Asset Policy and Procedure Manual" compiled by the CDFA Audit Office. If you do not have a copy of this manual, it is available for download from our website at www.cdfa.ca.gov/fe.

Additional Reporting Requirements

Please note that additional reporting requirements (e.g. projected monthly cash budgets) may be required of some fairs. Fairs with reserves between 0% and 15% will be assessed on a case-by-case basis, while additional reporting requirements will be mandatory for fairs reporting negative reserves. If additional reporting requirements are deemed necessary, F&E will contact the fair in February/March 2004 to discuss the details.

Reporting of Other State (F&E) Allocations

As a reminder, the "Annual Base Allocation," account 31200, and the related operational expenses should be the only State (F&E) funding amounts closed to "Net Resources Available for Operations," account 29100. All other State (F&E) funds received (e.g., Capital Improvement, Millennium Flex Fund, Emergency Funds, Project Reimbursements, etc.) should be posted to "Project Reimbursements," account 31700 and/or "Other F&E Project Funds," account 31800. The corresponding expenses should be posted to either "Expenditures Funded by F&E," account 92000 or "Reimbursable Expenditures," account 93000. These accounts are then closed to "Net Resources Reserved for Projects," account 29200. **Operating expense accounts should not be used to post expenses funded from State (F&E) funding other than the base allocation.** The purpose of this accounting treatment is to segregate non-operating revenues and expenses related to State funded projects (other than the annual base allocation) from "Net Resources Available for Operations," account 29100.

The only exception to the above procedure would be those fairs authorized by F&E to apply Millennium Flex funds to their operating reserves. These fairs would include Millennium Flex on page 1 under "Other" resources acquired.

For guidance, please review the instructions contained in the enclosed F&E circular letter F2002-22, "Procedures for Closing Out State Funds," dated December 9, 2002, to avoid processing delays and needed revisions.

Revised Statement of Operations

Requests from fairs to submit revised STOPs after the January 20, 2004 deadline will only be considered if material discrepancies/errors were made on previously submitted STOPs. However, **absolutely no revised STOPs will be accepted after June 15, 2004** because of the State Controller's Office (SCO) GAAP reporting requirements that must be met by F&E each year. In short, **once financial data is submitted to the SCO each year, STOP balances and amounts must not change.** Any required adjustments to 2003 STOP balances and amounts after the January 20, 2004 deadline should be made via a **correcting journal entry in the 2004 general ledger** (i.e., prior-year revenue or expense adjustments, accounts 49000 and 80000, respectively).

In accordance with Food and Agriculture Code 4505, the completed STOP forms and FLSA forms (DAAs only) **must be postmarked to F&E by January 20, 2004.** The payment of any state funds is contingent upon receipt of a satisfactory budget and STOP in addition to compliance with other state requirements.

If you have questions or require additional information, please contact Peggy Verissimo at (916) 263-2971.

Enclosures

State of California

Memorandum

To: All Fairs

Date: December 9, 2002

Ref: F 2002 - 22

Telephone: (916) 263-2955

From: Department of Food and Agriculture - Bruce Lim, Assistant Director
Division of Fairs and Expositions
1010 Hurley Way, Suite 200
Sacramento, California 95825

Subject: **Procedures for Closing Out State Funds**

With the end of 2002 quickly approaching, we would like to introduce new procedures for closing out State funds received by your fair.

The "Annual Local (Base) Allocation," account 31200, and the related operational expenses should be the only State (F&E) funding amounts closed to "Net Resources Available for Operations," account 29100.

All other State (F&E) funds received (e.g., Capital Improvement, Millennium Flex, Emergency Funds, Project Reimbursements, etc.) should be posted to "Project Reimbursement," account 31700 and/or "Other F&E Project Funds," account 31800. The corresponding expenses should be posted to either "Expenditures Funded by F&E," account 92000 or "Reimbursable Expenditures," account 93000. It is permissible to use sub-accounts for tracking individual program expenses.

In the past, F&E directed Fairs to close accounts 31700, 31800, 92000, and 93000 (including any sub-accounts) to "Net Resources Reserved for Projects," account 29200. Once closed, fairs would then analyze the balance of account 29200 to determine the type of journal entry needed to zero out this account.

The new procedure directs fairs to manually net the revenues and expenses before closing to determine the difference between the two. If State (F&E) funds were advanced to the fair but were not yet expended, a journal entry is needed prior to closing to set the amount up as a liability. This is accomplished by a debit to "Project Reimbursement," account 31700 and/or "Other F&E Project Funds," account 31800 (whichever is applicable), and a credit to "Deferred Income," account 22800. If total revenues received equals total expenditures, no pre-closing entry is required.

If fair funds were expended but were not yet reimbursed by the Division, the amount owed is set up as a receivable by a debit to "Accounts Receivable – Fairs & Expositions Fund," account 13300, and a credit to "Project Reimbursement," account 31700, and/or "Other F&E Project Funds," account 31800, whichever is applicable.

Once the pre-closing entries are posted, accounts 31700, 31800, 92000, and 93000 (including any sub-accounts) are closed into "Net Resources Reserved for Projects," account 29200. At this time, account 29200 should have a zero balance.

The purpose of this accounting treatment is to segregate non-operating revenues and expenses (other than the annual local allocation) from "Net Resources Available for Operations," account 29100. All fairs should anticipate presenting appropriate receipts and documentation of expenses associated with other State (F&E) allocations to their auditors in order to substantiate appropriate program expenditures in the annual audit report.

Should you have any questions regarding this procedure or need additional information, please contact Peggy Verissimo of my staff at 916-263-2971.

This circular letter supersedes all previous policies regarding reporting of State allocations.

**California Department of Food & Agriculture
Division of Fairs & Expositions**

2003 STATEMENT OF OPERATIONS

CONTENTS

3½" diskette

- Statement of Operations Forms (Excel 2000)

Documents

- Changes to Statement of Operations information page
- Reminders for Adjusting and Closing Entries
- 2003 Statement of Operations Preparation Guide
- Statement of Operations Review Check Sheet
- Checklist of items due January 20, 2004

California Department of Food & Agriculture
Division of Fairs & Expositions
2003 STATEMENT OF OPERATIONS

Reminders for Adjusting & Closing Entries

- ☐ Analyze any asset account that contains a credit balance – there may be posting errors.
- ☐ Analyze any liability account that contains a debit balance – there may be posting errors.
- ☐ Accrue 4th quarter interest on all savings accounts.
- ☐ Accrue all bank fees.
- ☐ Accrue all revenue earned but not received as of 12/31/03.
- ☐ Accrue expenses incurred but not paid as of 12/31/03.
- ☐ Adjust compensated absence liability to actual at 12/31/03: If account 24500 in the general ledger is greater than actual liability, debit account 24500 and credit account 50300; if the general ledger account is less, debit account 50300 and credit account 24500.
- ☐ For fairs that don't depreciate, capitalize assets that meet the capitalization criteria (assets valued at \$5,000 or greater and have a useful life of at least one year) by debiting the appropriate asset account (19100, 19200, or 19300) and crediting investment in assets, account 26000. Remove any assets that do not meet the capitalization criteria by debiting investment in capital assets, account 26000, and crediting the appropriate asset account (19100, 19200, 19300).
- ☐ Close JLA accounts to auction reserve, account 25100.
- ☐ Close local base (State) allocations, account 31200, to resources for operations, account 29100.
- ☐ Close all general operating revenue and expense accounts to account 29100.
- ☐ Analyze special project revenue and expense accounts and make appropriate adjusting entries (see enclosed Circular Letter 2002-22, dated December 9, 2002, for instructions).

- ☐ Close special project revenue and other State (F&E) funding, accounts 31700 and 31800 respectively, to account 29200.
- ☐ Close special project and other State (F&E) funded expenses, accounts 92000 and 93000 respectively, to account 29200.
- ☐ Close out any balance in account 29200 (see enclosed Circular Letter 2002-22, dated December 9, 2002, for instructions).

Refer to the Accounting Procedures Manual, pages 56 through 60, for sample journal entries.

California Department of Food & Agriculture
Division of Fairs & Expositions
2003 STATEMENT OF OPERATIONS

Preparation Guide

This guide is designed to assist fair organizations with the preparation of their 2003 Statement of Operations (STOP). All STOPs must be submitted in accordance with the policies in these instructions.

Please provide all information requested and attach additional pages to explain or list other relevant information as needed. Be sure to reference the attachment with the correct account number and the name of the account. *If a particular section or area does not apply to your organization, please note "not applicable" to indicate it was not overlooked in error.* Please include your fair's 2003 theme, if any, on the bottom of page one.

Deadline

Food and Agriculture Code 4505 states, "Every county or district agricultural association that conducts a fair for which any apportionment is sought shall file a detailed statement of its operations in the previous calendar year with the department on or before the 20th day of January in each year." Accordingly, we are asking that STOPs be **complete** and **postmarked no later than January 20, 2004**. **Please do not request extensions.**

What to Submit

Fair organizations must submit to F&E the original signed and completed Statement of Operations and Project Statement, with appropriate schedules and attachments. Also include a December 31, 2003 *pre-closing* trial balance (after all adjusting entries have been made but prior to closing revenues and expenses) and a *post-closing* trial balance (after revenues and expenses have been closed out). For a detailed listing of what to submit, see the Statement of Operations checklist included in this package.

Procedure for Page 1

Governmental Accounting Standards Board (GASB) Statement No. 34 requires all public agencies to segregate restricted versus unrestricted reserves as well as investment in capital assets when preparing financial reports. Page 1 of the STOP has been modified to break down beginning and ending resources into these three categories.

If a fair currently combines investment in capital assets with reserves available for operations, then a manual segregation of these two components will be necessary when completing page 1. In most cases, the reserves related to investments in capital assets (property, plant and

equipment) should equal the net book value (cost less accumulated depreciation less any related debt) of these assets.

If a fair utilizes a separate general ledger account (e.g., Investment in Capital Assets, account #26000) to segregate invested reserves from reserves available for operations, account #29100, then a manual segregation of the two components will not be necessary on Page 1.

SCHEDULES

The following schedules are part of the completed STOP package:

Schedule 1, Statement of Financial Condition

The Statement of Financial Condition reflects all asset, liability and reserve account balances after the revenue and expenditure accounts are closed for 2003. In other words, the details of the post-closing trial balance are summarized and recorded on this schedule.

Schedule 2, Accounts Receivable and Accounts Payable

Provide details [year, individual(s), and amount] for outstanding revenue due the fair as of 12/31/03; include uncollected junior livestock auction amounts. Record this information in the top portion of the form—the total must agree with the amount reflected on Schedule 1 as accounts receivable. (Remember to deduct your “Allowance for Doubtful Accounts” from total accounts receivable.)

Record the details of accounts payable (amounts owed by the fair) as of 12/31/03 on the bottom portion of this form. Again, the total must agree with the corresponding line item on Schedule 1.

For either section, a computer printout of the information is acceptable, providing you note on the schedule “See attached printout” and show total(s) in spaces provided on Schedule 2.

Schedule 3, Reconciliation of Bank Accounts

Each bank account must be shown separately on Schedule 3. This includes all checking, payroll and savings accounts, as well as the premium and junior livestock auction accounts and any other special cash accounts reflected in the general ledger. Make sure to include the general ledger amounts for petty cash and change funds at the bottom of the page. The total of all accounts shown on Schedule 3 must agree with the amount recorded as “Sub-Total Cash Accounts” on Schedule 1. Make additional copies of this schedule as necessary to report all accounts.

If bank statements are not received in time to accurately complete Schedule 3, then please add a footnote to Schedule 3 stating such. If a footnote is required to meet the January 20, 2004 deadline, please submit a completed Schedule 3 to F&E when December bank reconciliations are complete, but **no later than February 15, 2004**.

Schedule 4, 2003 Fair Statistics

Please include all line item details requested, including free attendance breakdown and pass information. The total paid admission must agree with the amount reported on page 3, Account 41000. Likewise, the total parking information must agree with the parking revenue reported in Account 47100 on page 4. If necessary, attach and label additional pages and be sure to note "See attachments" and record totals on the schedule where indicated.

Schedule 5, 2003 Events Not Sponsored by the Fair

Please provide the information requested regarding interim rentals held on your grounds. If your organization contracts for other events in other major categories, you may add them to this form. Also, please include totals at the bottom of the "Estimated Attendance" column. Please try and be as accurate as possible. This information is used in the annual fair classification evaluations.

Schedule 6, Permanent Positions on Payroll for 2003

Please provide the information requested, including account number, class title, number of months employed, and pay rate for each permanent position. This information will be used in the annual fair classification evaluations.

Schedule 7, Temporary Positions on Payroll for 2003

Please provide the information requested, including account number, class title, number of months employed, and pay rate for each temporary position. This information will be used in the annual fair classification evaluations.

SPECIAL REPORTS

Junior Livestock Auction (JLA)

Report the 2003 JLA activity on the separate STATEMENT OF OPERATIONS – JUNIOR LIVESTOCK AUCTION form. **Do not include the totals on pages 1 through 10 of the regular STOP.** At year-end, JLA revenue and expense accounts are closed to account 25100, JLA Reserve. The December 31st adjusted balance in the general ledger must agree with the amount reported on Schedule 1 under Net Resources, Reserve for Junior Livestock Auction.

Satellite Wagering

Provide all satellite wagering revenue and expense details on the separate “Summary of Satellite Wagering” form (SW1). Satellite Wagering Labor Detail (SW2) will capture the detail behind the satellite wagering salary account. Satellite Wagering Statistics (SW3) is designed to capture all admission and parking statistics.

Motorized Racing (Fair Produced)

Provide all motorized racing (fair-produced only) revenue and expense details on the separate “Summary of Motorized Racing” form (MR). Motorized Racing Labor Detail (MRL) will capture the detail behind the motorized racing salary account.

Other State (F&E) Allocations – Report on Project Statement of Operations

Other State (F&E) allocations are entered on the Project Statement of Operations. Please enter State resources received to “Project Reimbursements,” account 31700 and “Other F&E Project Funds,” account 31800, on the Project Statement. Enter the corresponding expenditures to “Expenditures Funded by F&E,” account 92000, if funds were received prior to the date of the related expenditure. If the fair has expended funds that are reimbursable from approved State resources, then enter the expenditures to “Reimbursable Expenditures,” account 93000.

Please summarize capital project details and other State (F&E) allocations received that are not related to capital projects (e.g. Millennium funds) on page 4 of the Project Statement of Operations titled, “Other State (F&E) Allocation Summary,” which is designed to capture the details of capital-project and non-capital-project-related programs utilized.

REMINDER

Depreciation of Fixed Assets

Governmental Accounting Standards Board (GASB) Statement No. 34 requires all public agencies to report the value of their fixed assets in their annual financial reports using the full accrual basis of accounting. Under this method, expenditures for capital outlays are reported as assets and depreciation is reported as an expense over the estimated useful life of the asset. Beginning January 2004, all fairs will be required to begin depreciating their fixed assets. For guidance, please refer to the “Fixed Asset Policy and Procedure Manual” compiled by the CDFA Audit Office. If you do not have a copy of this manual, it is available for download from our website at www.cdfa.ca.gov/fe.

Questions?

Please direct any questions regarding preparation of the Statement of Operations to:

Peggy Verissimo, Accounting Analyst
Division of Fairs & Expositions
(916) 263-2971
(916) 263-2969 fax
E-mail: pverissimo@cdfa.ca.gov

California Department of Food & Agriculture
Division of Fairs & Expositions
2003 STATEMENT OF OPERATIONS

Review Check Sheet

You can avoid some of the most common errors associated with Statement of Operations (STOP) preparation by double checking the following:

- ☐ Is the STOP complete and mathematically correct?
- ☐ Does the beginning reserve for 2003 agree exactly with the ending reserve on the 2002 STOP as submitted to Fairs & Expositions?
- ☐ Do the supporting schedules appropriately “roll up” to summary pages?
- ☐ Does the ending reserve on page 1 match account 29100 as shown on Schedule 1?
- ☐ Does the Junior Livestock Summary reserve amount match the 25100 account on Schedule 1?
- ☐ Is Schedule 1 in balance?
- ☐ Schedule 3: Are all bank accounts in balance? Did you remember to include petty cash and change funds in spaces provided at bottom?
- ☐ Does the subtotal cash on Schedule 1 match the total on Schedule 3?
- ☐ Do the accounts receivable and accounts payable amounts shown on Schedule 1 match the detail totals on Schedule 2?
- ☐ Does the total on page one of the Project Statement match the amount shown on Schedule 1 for account 29200?
- ☐ Schedule 4: Does the total amount for tickets sold match account 41000 on page 3? Does the total parking revenue match account 47100 on page 4?
- ☐ Are all pages, schedules, and exhibits complete and contain all required signatures?
- ☐ Are there any revenues and expenses associated with State funded projects (e.g., capital projects, Millennium Flex, emergency repair projects, etc.) included in the

STOP? All project funds received and the related expenses should be closed out to Account 29200; therefore, they should not be included in operating reserves.

The only exception to the above procedure would be those fairs authorized by F&E to apply Millennium Flex funds to their operating reserves. These fairs would include Millennium Flex on page 1 under “Other” resources acquired.

California Department of Food & Agriculture
Division of Fairs & Expositions
2003 STATEMENT OF OPERATIONS
DUE JANUARY 20, 2004

2003 Statement of Operations:

- ☐ Pages 1-10 (Signature required on page 1)
- ☐ Statement of Operations – Junior Livestock Auction (Signature required)
- ☐ Schedule 1, Statement of Financial Condition
- ☐ Schedule 2, Schedule of Accounts Receivable and Accounts Payable
- ☐ Schedule 3, Reconciliation of Bank Accounts
- ☐ Schedule 4, 2003 Fair Statistics
- ☐ Schedule 5, 2003 Events Not Sponsored by the Fair
- ☐ Schedule 6, Permanent Positions on Payroll for 2003
- ☐ Schedule 7, Temporary Positions on Payroll for 2003

Project Statement of Operations:

- ☐ Capital & Special Projects Funded by F&E (Signature required)
- ☐ Other State (F&E) Allocation Summary

Fair organizations with Satellite Wagering Facilities:

- ☐ SW1, Summary of Satellite Wagering
- ☐ SW2, Satellite Wagering Labor Detail
- ☐ SW3, Satellite Wagering Statistics

Fair organizations with Motorized Racing (fair-produced):

- ☐ MR, Summary of Motorized Racing
- ☐ MRL, Motorized Racing Labor Detail

DAAs only:

- ☐ Federal Labor Standard Act (FLSA) Recreational Exemption (2 COPIES)

Reports:

- ☐ December 31, 2003 Pre-closing Summary Trial Balance
- ☐ December 31, 2003 Post-closing Summary Trial Balance

For ease of processing, do not staple pages together; instead please use binder clip on completed package.